

## Honorable Mayor and City Council of the City of San Diego, California

The Proposed Fiscal Year 2001 Total Combined Budget is \$2,104,798,899 billion including \$666.5 million for General Fund expenditures, \$898.7 million for Non-General Fund operations, \$539.6 million for the Capital Improvements Program, \$174.3 million in interfund transactions, and 10,546.67 positions. This represents a decrease of \$98.9 million, and an increase in positions of 320.25 over the Fiscal Year 2000 Total Combined Budget and an increase of \$48.3 million and 135.7 positions in the General Fund.

The City of San Diego initiated multiple programs and processes under the umbrella of "Performance Management" in the mid-1990's. The purpose of these programs was to institutionalize a multi-faceted approach to review City operations, their effectiveness and organizational structure, services to the public, and the public's needs and perceptions of the City as a service provider with an overall goal to improve service delivery.

The effectiveness of the Performance Management Program has been recognized locally, nationally and internationally in recent years. The numerous awards and other forms of recognition are an indication that the programs the City has implemented as a part of Performance Management have had a positive impact on the services that the City delivers.

While awards are an important form of feedback, the most significant indication of San Diego's performance as a service provider is feedback from our citizens. In the most recent citizen survey, 96% of San Diegans indicated overall satisfaction with City services. That is the highest rating the City has received since initiating an annual survey in 1995.

The City's budget development process provides for and incorporates citizen input throughout the year. We believe that this budget proposal will result in even greater citizen satisfaction based on the proposed additions and areas of emphasis in response to that input. The additions and areas of emphasis in the Proposed Fiscal Year 2001 Proposed Budget include:

- Police Service Improvements
- Fire Station Reconstruction Program
- Second Year of the Street Maintenance Enhancement Program
- Expansion of the "6 to 6" Extended School Day Program
- Multiple Species Conservation Program
- Fiscal Strength and Long Term Financial Stability

In addition to these "themes" or areas of emphasis, we will also address the multiple State bond issues recently approved by the voters for parks, libraries and the water systems in the Policy Issues and Budgetary Themes section of this document.

# City Manager's Budget Message

## Police Service Improvements

San Diego is one of the safest large cities in the United States. To maintain that status, it is essential that we identify areas of potential need and devote resources to prevent growth of criminal activity in these specific areas.

Based on recommendations from the Police Department, the Proposed Fiscal Year 2001 Budget includes ten additional Police Officers to augment five existing units. This increase will allow for service improvements in the areas of Elder Abuse, Firearms Tracing, Air Support, Child Abuse, and Hate Crimes.

For more information about the work these units do and how the additional officers will be used, please see the Policy Issues and Budgetary Themes section of this document.

## Fire Station Reconstruction Program

The Proposed Fiscal Year 2001 Budget includes the first year of a five year \$5 million program to reconstruct/remodel fire stations that have been identified as having the highest priority need. Fire Station 12, located in Lincoln Park, is 51 years old and has been remodeled three times. This proposal will reconstruct the entire station to provide adequate housing for the eleven crew members assigned to that station.

The second station that will be reconstructed as a part of this proposal is Fire Station 29, which is in San Ysidro and is 36 years old. The reconstruction will provide adequate space for fire crews and apparatus.

This program is proposed to be funded by Community Development Block Grants. A complete explanation of the reconstruction program is included in the Policy Issues and Budgetary Themes section of this document.

## Street Maintenance Enhancement Program (Year Two)

The Mayor and City Council approved the first year of a two year Street Maintenance Enhancement Program as a part of the Fiscal Year 2000 Budget. During the first year of the program, \$13 million was allocated for street maintenance resulting in the highest level of funding for road repairs in the City's history.

The Proposed Fiscal Year 2001 Budget adds another \$13 million to complete the two-year program to enhance the City's streets. We project a total of 146 miles of streets will be resurfaced during Fiscal Year 2001 as a part of this program and 242 miles of streets will be slurry sealed.

The total impact of this program on our streets is addressed in the Policy Issues and Budgetary Themes section of this document.

## Expansion of the "6 to 6" Extended School Day Program

In Fiscal Year 1999, in cooperation with the San Diego Unified School District, the City started the "6 to 6" Extended School Day Program. The mission of the Program is to open community schools before and after regular school hours, during the hours most parents work, to provide a safe environment for children to have fun and learn new skills.

In Fiscal Year 2001, the "6 to 6" Program will operate at a minimum of 115 school sites, with a budget of \$9.85 million, including \$2.56 million from the City's General Fund, \$2.0 million in Tobacco Settlement funds, and \$5.29 million in After School Learning and Safe Neighborhood Partnership Program funds. Program enrollment will increase to more than 12,000 young people from grades K-8th.

As additional funding becomes available, the ultimate goal is to expand the "6 to 6" Extended School Day Program to all schools within the City, including the San Diego Unified School District, San Ysidro and South Bay Elementary School Districts, and selected schools in the Chula Vista Elementary School District, Sweetwater Union High School District, and Poway Unified School Districts.

Detailed information on the enhanced "6 to 6" Extended School Day Program is included in the Policy Issues and Budgetary Themes section of this document.

## Multiple Species Conservation Program

The City of San Diego has taken a leadership role at the state and national levels in developing and implementing the Multiple Species Conservation Program (MSCP). The objective of the program is to assemble a 52,000 acre preserve through public land acquisition, dedication of existing public open spaces, mitigation, and development regulations and to manage and monitor the biological resources conserved in the MSCP. To date, the City has conserved over 46,000 acres toward meeting that objective.

Based on previous direction from the Mayor and City Council, the Fiscal Year 2001 Proposed Budget includes an increase in funding from tobacco settlement funds for MSCP implementation, management, monitoring, maintenance and acquisitions.

Additional information relative to specific expenditures can be found in the Policy Issues and Budgetary Themes section of this document.

## Fiscal Strength and Long Term Financial Stability

As a part of the Fiscal Year 2000 Budget, the City's General Fund reserves increased to their highest level in the City's history. Based on actions previously taken by the Mayor and City Council and actual tobacco settlement receipts, the Fiscal Year 2001 Proposed Budget includes an additional \$3.3 million to be added to General Fund reserves. This addition will bring the total General Fund reserves to \$13.6 million, or approximately two percent of the General Fund, the highest in the

# City Manager's Budget Message

City's history. The Mayor and City Council have adopted a plan that identifies and commits the necessary revenues to increase these reserves to over \$20 million by 2005.

The six budgetary principles of budgeting and finance that have guided us in increasing our reserves and in preparation of the proposed budget are:

1. Ongoing expenditures should be supported by ongoing revenues. Consequently, one-time revenues should not be used for ongoing expenditures on a continuous basis.
2. General Fund reserves for emergencies or unplanned expenditures should be maintained in an amount equal to 3% of the total General Fund budget.
3. When capital projects are considered, all associated costs should be identified in order to properly consider future financial impacts.
4. Each enterprise fund should reflect the true cost of operation, including direct and indirect costs of services provided by the General Fund.
5. Activities that are supported by user fees should be fully cost recoverable.
6. Discretionary General Fund revenues should not be earmarked, thereby allowing maximum flexibility in funding decisions on an annual basis.

When these principles were originally introduced to and endorsed by the Rules Committee, I recommended that they be implemented on a phased basis over a three to five year period. I believe we have made substantial progress in meeting that goal and are on track for full implementation within the estimated time period.

## Other Highlights

### Major Enhancements

In addition to the above areas of emphasis, the Proposed Fiscal Year 2001 Budget includes the following major enhancements to City departments:

- Addition of \$1.6 million for full year Fire Station 44 operating costs.
- Addition of \$128,933 for lifeguard vehicle equipment usage.
- Addition of \$250,000 for Fire and Life Safety Services Department training consultant.
- Additional of \$613,975 for gasoline and diesel fuel for Equipment Division. This will be used for all City vehicles with the exception of those utilized by the Fire and Police Departments
- Addition of \$752,661 for Multiple Species Conservation Program appraisals, acquisitions, grants and monitoring.

# City Manager's Budget Message

- Addition of 1.00 position for Multiple Species Conservation Program.
- Addition of 1.00 position in Environmental Services Department to expand household hazardous waste collection service from eight to forty-two Saturdays per year.
- Addition of \$2.4 million in State funds in Environmental Services Department as a result of Senate Bill 332 to pay for the expansion of curbside recycling to 60,000 homes between August 15, 2000 and May 15, 2001.
- Addition of \$1.0 million in tobacco settlement funding to expand the number of schools in the "6 to 6" Extended School Day Program from 64 to 115.
- Addition of 1.00 position to manage the City's Parking Meter District Program.
- Addition of 1.00 position to implement the Business Cooperation Program.
- Addition of 1.00 position to manage and attract new development to North Bay and North Park areas.
- Addition of \$556,000 for Animal Regulation services.
- Addition of \$285,000 in tobacco settlement funds as part of the Mayor and City Council's expansion of Park and Recreation Department program hours for all year operations at Colina Del Sol and Memorial swimming pools in Metro and Inland Division service areas.
- Addition of 3.00 positions and \$242,000 for the Playground Repair Program in Park and Recreation Department.

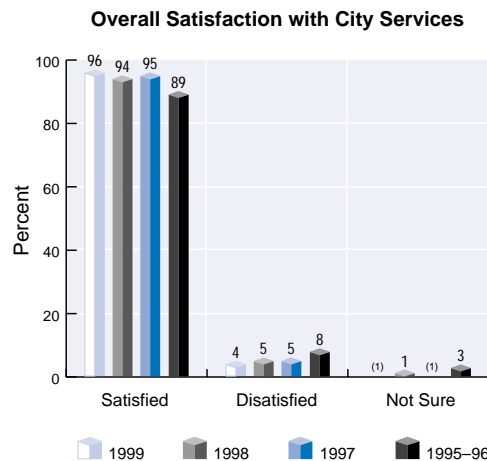
## Accomplishments

Strong management and clear policy direction have traditionally been strengths of the City of San Diego. As we begin this new century those strengths continue to serve us well in improving the services we deliver to citizens.

A recent study of 35 United States cities conducted by Governing Magazine rated San Diego high in the areas of Financial Management, Capital Management, and Managing for Results. In fact, only one city rated higher than San Diego in Managing for Results. As indicated in the study, *"San Diego is now near the head of the class in Managing for Results. Performance measures and goals can be found for every program and within each department, with citizen feedback included. The budget makes outstanding efforts to tie its spending figures to performance measures."* In the area of Financial Management, only four cities of the 35 studied were rated higher.

# City Manager's Budget Message

Our strong ratings are further reinforced by feedback received from the citizens of San Diego. Our fifth annual Citywide resident satisfaction survey indicated 96% of citizens are satisfied with City services. This is 2% higher than last fiscal year.



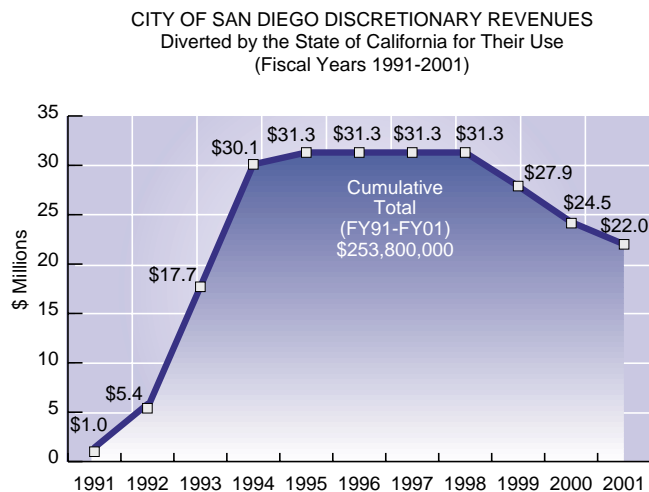
## Legislative Issues

The Intergovernmental Relations Department, through authorization by the Mayor and City Council, continues to pursue legislation which will relieve the economic hardship caused by the State mandated property tax shifts. These shifts, known as the Educational Revenue Augmentation Fund (ERAF), have shifted hundreds of millions of dollars from local governments to the State's General Fund. The City continues to support efforts to a) cap the shifts at the current level and stop the shift growth, and b) abolish the shifts outright and seek a return of the monies taken by the state since the early 1990's.

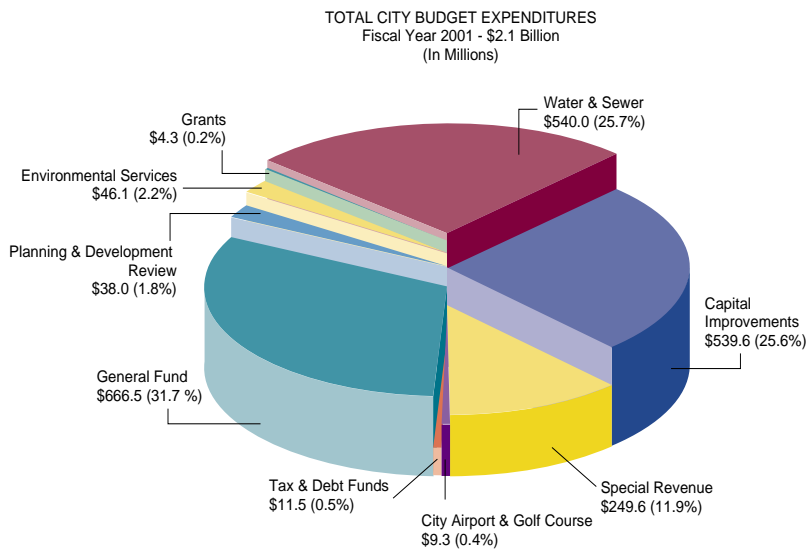
As the accompanying chart shows, the state will have taken \$253.8 million from the City of San Diego in Fiscal Years 1991-2001.

Additionally, City officials participated in the State Senate Budget and Fiscal Review Committee's Local Government Finance Forums. These forums consisted of roundtable discussions between state, city, county and special district officials.

The Committee provided an opportunity for the City to communicate with key state legislators about the negative impacts of the State taking local government revenue. The Committee jointly determined that a stable, independent source of revenue is vital to the success of local governments. The City will continue its participation in such efforts.



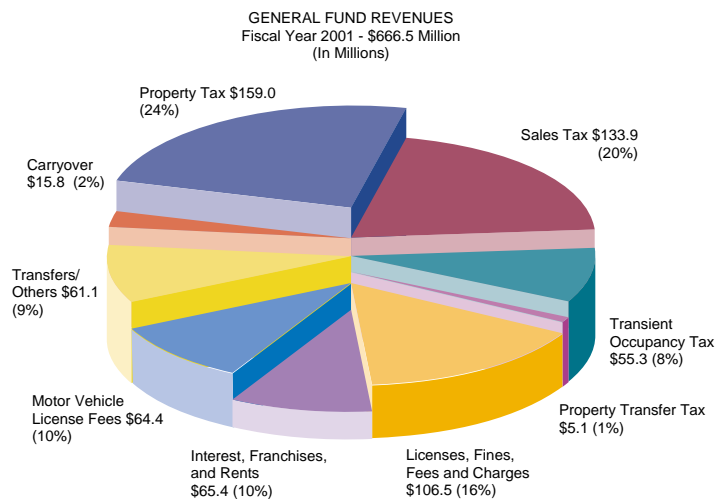
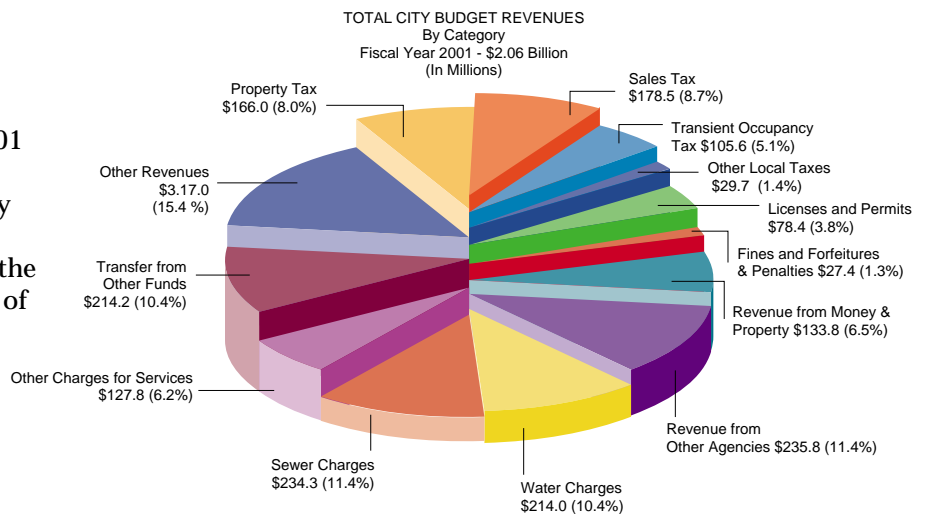
# City Manager's Budget Message



## Budget Summary

The Proposed Fiscal Year 2001 Budget represents a balanced budget totaling \$2,104,798,899 including 10,546.67 positions. This represents a decrease of \$98,938,420 and an increase of 320.25 positions over the Fiscal Year 2000 Budget. The total combined budget also includes \$174.3 million in interfund transactions.

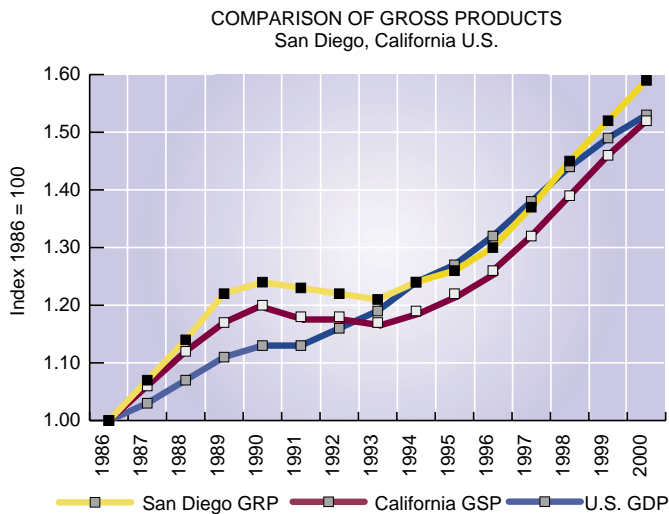
Revenues for Fiscal Year 2001 continue to display strong growth in the City's primary revenue categories. This pattern of growth began in the mid-1990's and is reflective of a strong economy.



The Fiscal Year 2001 General Fund Revenue Budget totals \$666.5 million, with major revenue sources, including property tax, sales tax, transient occupancy tax, and motor vehicle license fees, comprising 62% of the total.

# City Manager's Budget Message

## Economic Outlook

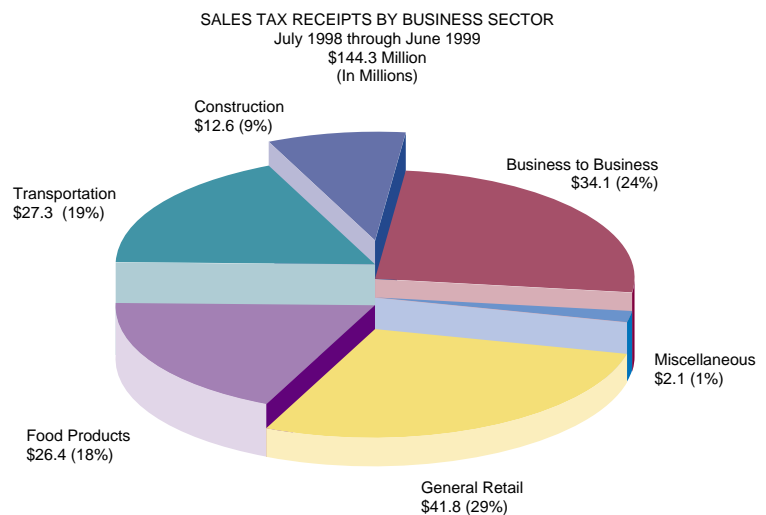


Entering the seventh year of economic expansion California's economy continues to show evidence of strong growth. National and state economies are key indicators in assessing the City's future fiscal picture. Economic indicators for both the nation and the state clearly demonstrate that the economy remains strong and consumer confidence is high. Consumer spending on retail goods, cars, homes and services is unprecedented. While economic changes at the state and national level can often translate into comparable changes locally, it is important to note that San Diego and the Southern California region often behave differently, displaying economic trends and reflecting experience that may lag or precede observed changes elsewhere.

## San Diego Economic Highlights

San Diego continues to demonstrate favorable growth and the diversified economy shows strength in a variety of sectors, with the general economy growing at a moderate, sustainable pace. San Diego's economy will reach a significant milestone of economic output in 2000 as gross regional product (GRP) is forecasted to reach \$100.4 billion. This will be an increase of 6.4% over 1999's \$94.4 billion. Economic gains in the 1990's have not matched the high pace of expansion recorded in the 1980's. Current growth is much more moderate, and perhaps more healthy and sustainable. At current levels of estimated and projected growth, starting from 1994 to 2000, San Diego has averaged 4.0% gains per year.

Local economic growth is once again outperforming both state and national gains in productivity. Prior to the recession of the early 1990's, San Diego consistently exceeded both state and national expansion.





# City Manager's Budget Message

San Diego's economic transformation during the decade of the 1990's is a major and remarkable turn around. The downturn and subsequent recovery and expansion were not merely business or cyclical adjustments, but extensive overhauling and restructuring of basic economic drivers. Aerospace, construction, and retail sales were the three sectors that dropped most dramatically during the recession. The recovery in San Diego has been led by increase in high technology, tourism and entertainment, professional services and foreign trade industries. This shift in the basic economic structures was necessary for growth.

Several high technology based, commercial endeavors emerged and led San Diego's economic transformation. Some of these sectors were by-products of the defense related industries , as well as capitalization of the high technology educated labor force. Growth areas include telecommunications, electronics, computers, software and biotechnology.

Compared to national economies throughout the world, San Diego ranks as the 37th largest in the world. Within the United States, San Diego ranks as the 16th largest metropolitan regional area economy.

## Key Economic Indicators

- Population - City's population is estimated to be 1.3 million in 2001.
- Employment - Unemployment of City of San Diego resident labor force is at 3% for 1999.

The following county wide economic indicators indicate strong growth on a regional basis:

- Personal Income - The 2000 projection for per capita income is \$28,393, an inflation adjusted gain of 8%.
- Retail - Sales are forecasted to reach \$22.7 billion in 2000, a real increase of 3.2%.
- Average price of single-family homes increased to \$270,900 in 1999 and is forecasted to increase in 2000 by 10.0% to an average of \$298,000.

## City Reserves

The City maintains several reserves for its operations. These include Non-General Fund reserves for special revenue funds, capital project funds, enterprise funds, internal service funds and trust and agency funds that can only be used for their intended purpose. Further detail can be found in Schedule V-B, Summary of Revenues, Expenditures and Fund Balances, and some of the more significant Non-General Fund reserves are described later. Reserves used to support General Fund operations include the Allocated Reserve and the Unappropriated Reserve.

The Allocated Reserve is used to carry forward current year funds for projects that could not be completed prior to the end of the fiscal year. As part of the Fourth Quarter Budget

# City Manager's Budget Message

Adjustment, the Mayor and City Council are asked to authorize the City Auditor and Comptroller to carry forward funds for specific projects.

The Unappropriated Reserve was established to fund major General Fund emergencies and to assist in maintaining a favorable bond rating. Specific expenditures are not budgeted within this reserve; therefore, these funds are not reflected in the annual budget. This unbudgeted reserve currently totals \$13.6 million in the Fiscal Year 2001 Budget, a 33% increase over Fiscal Year 2000. No specific legal guidance or policy restrictions are placed on the use of these funds. However, Mayor and City Council authorization is necessary to expend these funds.

While the **Public Liability Claims Fund** is not a reserve, it is sometimes mischaracterized as such. It funds a program from which we pay claims arising from real or alleged acts on the part of the City, including claims for bodily injury, property damage, inverse condemnation, false arrest, and errors and omissions. The Fiscal Year 2001 Budget reflects the appropriation of \$5,853,600 million for the General Fund's proposed contribution to pay claims awarded during the year. Non-General Funds also contribute to this fund.

## Credit Rating

The City's credit ratings are currently the highest among the large cities in California (population above 1 million). Over the last year the City has bond ratings of AA+ from Fitch IBCA, AA from Moody's Investor Service and Aa1 from Standard and Poor's. AA/Aa are considered to be high bonds ratings. Entities rated AA/Aa are generally known as high grade issuers.

## Bonding Program

As appropriate, the City uses the option of bond financing as a method of funding large-scale capital improvements that cannot be funded with current revenues. In the past, the City has utilized debt financing to (1) proceed with a project now as opposed to waiting until cash is accumulated; (2) build a project at current cost rather than at escalated cost when cash might be available; and, (3) spread costs over the useful life of a project. To insure a high level of credit worthiness, it is essential that the City continue to prioritize and phase projects while taking into account the City's outstanding debt obligations and the availability of revenues to repay the debt obligations.

## General Fund Revenues

The growth in City revenues depends primarily on the economy. As the economy expands, revenues are expected to increase. Alternately, when the economy slows, revenues are expected to perform accordingly. Given this relationship, key economic indicators in San Diego County are helpful in formulating proposed revenue estimates. Statewide and national economic trends may also impact revenue sources, in addition to policy decisions made at the state and federal levels.

For Fiscal Year 2001, General Fund revenues are estimated at \$666.5 million. Factors which have been considered in developing the Proposed Fiscal Year 2001 Budget revenue projections are:

- Local economic growth once again out performing both state and national gains in productivity
- San Diego's unemployment rate being well below the national and state average
- San Diego's consumer confidence remaining high

The four major revenue sources are property tax, sales tax, transient occupancy tax, and motor vehicle license fees. The revenue sources comprise 62% of total General Fund revenue.

Shown here are the projected growth rates in the budget for the major General Fund revenues for Fiscal Years 2000 and 2001.

General Fund Revenue Growth Rate		
MAJOR GENERAL FUND REVENUE SOURCES	Fiscal Year 2000 Budget Growth Rate	Fiscal Year 2001 Budget Growth Rate
Property Tax	11.00%	10.00%
Sales Tax	6.00%	6.00%
Transient Occupancy Tax	8.00%+	8.00%+
Motor Vehicle License Fees	4.00%	6.00%

# City Manager's Budget Message

## General Fund Operating Expenditures

The City's budget is financed by the use of various types of funds for its operations. Outlined below is a summary of these major expenditures with the General Fund highlighted:

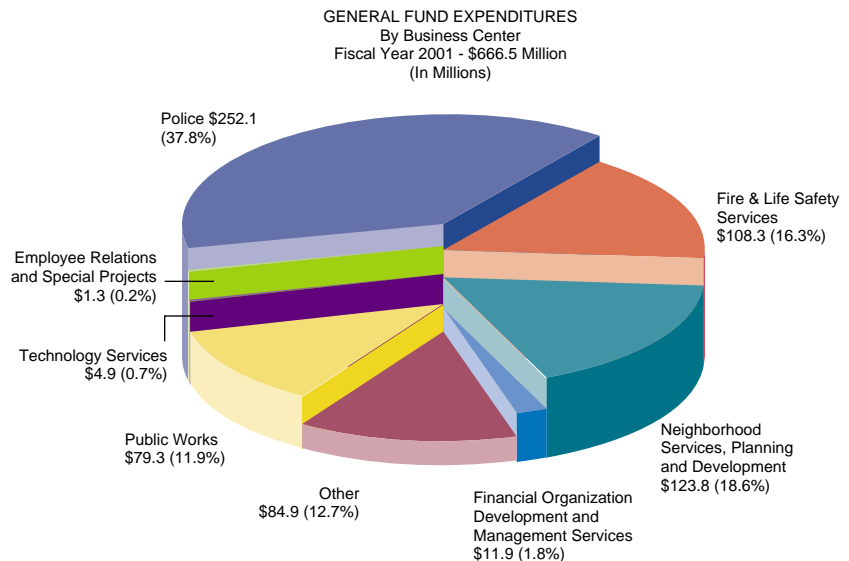
MAJOR EXPENDITURE CATEGORY	FY 2001 Budget	Change from FY 2000	FY 2001 Positions	FY 2001 Change from FY 2000
General Fund	\$666,473,956	+\$48,269,085	6,785.70	+135.70
Enterprise Fund	633,320,796	58,482,282	2,590.45	130.90
Debt Service/ Tax Funds	11,534,174	2,280	0.00	0.00
Special Revenue Funds	249,591,328	940,859	568.37	-2.33
Capital Improvements	539,577,978	-210,933,593	0.00	0.00
Other Funds <sup>(1)</sup>	4,300,667	4,300,667	602.15 <sup>(2)</sup>	55.98
<b>TOTAL<sup>(3)</sup></b>	<b>\$2,104,798,899</b>	<b>-\$98,938,420</b>	<b>10,546.67</b>	<b>320.25</b>

(1) Other funds include grant funds not previously budgeted.

(2) Costs for these positions are included in other funds listed above.

(3) Includes \$174,333,254 of interfund transactions.

The Fiscal Year 2001 General Fund expenditure budget totals \$666,473,956 and includes 6,785.70 positions. This represents an increase of \$48,269,085, and 135.70 positions. As shown by business center in the accompanying chart, more than half of the General Fund Budget is allocated to public safety expenditures.



# City Manager's Budget Message

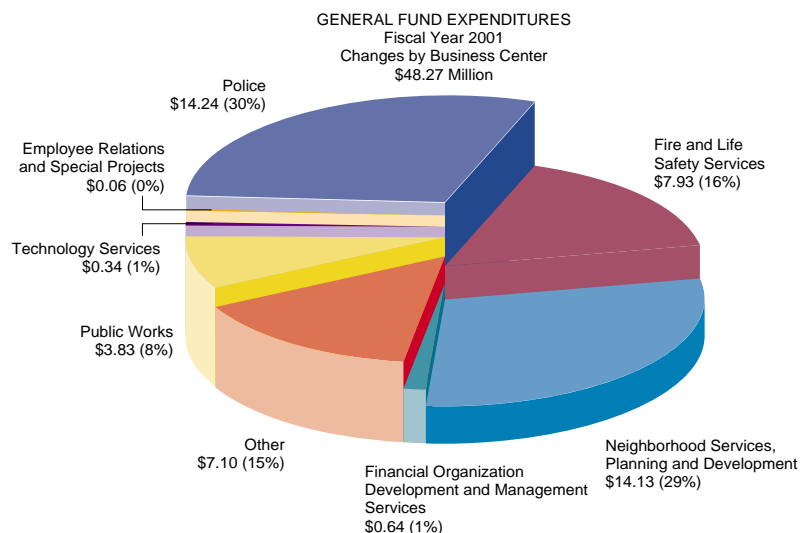
## General Fund Changes by Business Center

Business Center	Full Time Equivalent Positions	Expenditure Changes (in Millions)		TOTAL
		Personnel Expense	Non-Personnel Expense	
Neighborhood Services, Planning & Development	86.20	\$10.32	\$3.81	\$14.13
Employee Relations & Special Projects	0.00	0.06	0.00	0.06
Financial, Organization Development and Management Services	0.00	0.55	0.09	0.64
Fire & Life Safety Services	19.45	7.51	0.42	7.93
Police	13.00	12.23	2.01	14.24
Public Works	5.02	2.46	1.37	3.83
Technology Services	0.00	0.25	0.09	0.34
Other	12.03	3.71	3.39	7.10
<b>TOTAL</b>	<b>135.70</b>	<b>\$37.09</b>	<b>\$11.18</b>	<b>\$48.27</b>
Percent of Total		76.8%	23.2%	100.00%

The accompanying pie chart displays the same \$48,269,085 increase by business center in a more visual manner.

The majority of increases in expenditures can be attributed to four primary reasons:

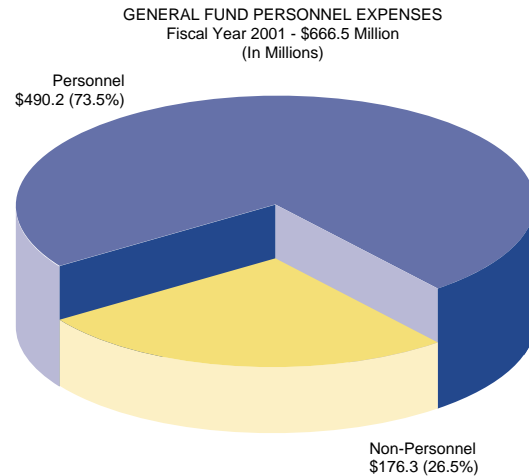
(1) negotiated labor agreements; (2) public safety enhancements; (3) annualized costs of operating new facilities opened during Fiscal Year 2000; and operating costs of new facilities scheduled to open in Fiscal Year 2001; (4) and tobacco settlement funded programs.



# City Manager's Budget Message

## General Fund Personnel Expenses

The Fiscal Year 2001 General Fund Budget is comprised of \$490.2 million for personnel expenses and \$176.3 million for non-personnel expenses. As the chart here shows, personnel costs account for more than 73.5% of the General Fund Budget.



Given that personnel accounts for the largest portion of the General Fund budget, highlighted below are the major components that make up this expense:

General Fund Personnel Expense	
MAJOR EXPENDITURE CATEGORY	Proposed FY 2001 Budget
Salaries & Wages	\$ 336,182,471
Special Pay	14,262,349
Annual/Sick Leave	2,457,810
Hourly Wages/Temporary Help	11,219,512
Overtime	12,715,754
Pension & Retirement	63,668,753
Health and Disability	49,729,258
<b>TOTAL PERSONNEL EXPENSE</b>	<b>\$ 490,235,907</b>

## Non-General Fund Operating Expenditures

Although the General Fund is the City's main operating fund and remains the primary focus when developing the budget each fiscal year, the City maintains other funds which also perform significant operating functions. The Fiscal Year 2001 Non-General Funds expenditure budgets total \$898.7 million.

Highlights of some of these Non-General Fund departments are described below.

### Water

The Water Department's Fiscal Year 2001 proposed budget includes a net increase of \$64.9 million and 60.18 positions. Major changes include: the addition of approximately 22.00 positions for staffing and support for the capital improvements program; \$40 million in various capital improvement projects; \$16 million for increased water purchases; \$3.1 million increase for department-wide information system enhancements; \$440,653 in general government service charges; \$1,500,000 for the Revenue Recovery Program; \$1,500,000 for a Groundwater Development Program to explore the potential use of ground water to augment production of local water, and general right-of-way reduction of \$1,500,000 as directed by the Mayor and City Council. In addition to the Bond Debt and Operating Reserve requirements, the Water Department also maintains a \$3.7 million reserve that is used to fund unanticipated operating and capital expenses. Historically, these reserves have primarily been used to fund capital projects.

These increases are due in part to staff's August 12, 1997 recommendation and the Mayor and City Council's approval of a series of water rate increases for Fiscal Years 1998, 1999 and 2000. The adopted increases were designed to increase the revenue generated by retail water sales within the City by 6% annually for three successive years. The Mayor and City Council's direction was to generate the adopted 6% increases in annual revenue by raising the fixed base fee component of the water rate structure. The consumption rates are adjusted only to account for increases in the cost of purchased water. The increases are funding significant improvements to our water infrastructure.

### Metropolitan Wastewater

Metropolitan Wastewater Department's Fiscal Year 2001 operating budget includes the net addition of \$7.6 million (excluding reserves and debt service requirements). The increases are attributable to department wide automation and equipment needs, support services, funding for support from other departments, and staffing and support for the South Bay Reclamation Plant which is scheduled to open during the summer of Fiscal Year 2001.

The Department continues its Bid-to-Goal program, a six-year partnership agreement between management and labor to operate and maintain the regional wastewater treatment system at specified service and budget levels. These levels were competitively benchmarked utilizing data from both public and private operators across the nation. Optimization measures in the employee

# City Manager's Budget Message

submitted bid to meet this goal included: process streamlining and automation; centralization of major maintenance and warehousing functions; increased emphasis on predictive and preventive maintenance; more efficient procurement and inventory control practices; a more business oriented approach to managing risks; a pilot performance pay program; and an enhanced management-labor partnership. Achievement of the goal is projected to yield a cumulative savings of \$77.8 million from Fiscal Year 1998 through Fiscal Year 2003. The Metropolitan Wastewater Department's Operations and Maintenance Division has reported Bid-to-Goal savings through Fiscal Year 1999 of approximately \$13.6 million.

Metropolitan Wastewater's Capital Improvement Program budget decreased by \$8 million primarily due to the rescheduling of construction for the Brine Management System Pipeline. Construction of the pipeline originally scheduled for Fiscal Year 2001 was rescheduled to Fiscal Year 2002. Accomplishments in the past year include the completion of the Dairy Mart Road and Bridge Improvements Project and the grand opening of the Point Loma Wastewater Treatment Plant - Operations Building and Visitor Center. In addition, the department received a portion of the State Revolving Fund (SRF) Loan distributions. The SRF loans will total \$80.8 million and will be awarded throughout several fiscal years. It is anticipated that the SRF loans will save ratepayers at least \$30 million in financing costs over the next 20 years.

As a requirement of issuing bonds, the department maintains over \$30 million in reserves. \$19.8 million is allocated for the department's 45-day operating reserve and \$5 million for the Capital Improvement Program (CIP) Bond Issuance Reserve. Both of these are required as part of the issuance of Sewer Revenue Bonds. The 45-day reserve can only be used for emergency operating expenses and must immediately be replenished. The CIP reserve is used to fund emergency capital requirements, and must not impair the City's ability to repay debt service requirements. The unallocated reserve totals \$4.3 million and may be used to fund both operating and capital project needs within the Sewer Fund.

## Planning and Development Review

The Proposed Fiscal Year 2001 Budget for the Planning and Development Review Enterprise Fund includes the addition of \$2 million and a transfer of 1.00 position in order to maintain customer service levels.

The Planning and Development Review Enterprise Fund is established as a cost recovery, fee for service budget. The Fiscal Year 2001 budget is based upon maintaining the current level of service for planning, engineering, and building plan check and inspection services. This maintenance of service budget request will require modifications to the existing fee structure, approved by City Council in 1992, to reflect changes to department organization structure, operations, and cost of doing business. A companion item will be presented to the Fiscal Year 2001 Budget to address the fee and cost recovery of the enterprise fund as part of this year's budget deliberations.

Planning and Development Review has seen a steady increase in the total building valuation of projects permitted since 1992. Fiscal Year 2000 total building valuation experienced an increase of 22% compared to Fiscal Year 1999. Activity in new commercial as well as residential additions and alterations reflected the biggest increase in building valuation for Fiscal Year 2000. Currently, 51% of total building valuation is residential and 49% is commercial. The number of dwelling units permitted has also increased 22% as compared with the same period in Fiscal Year 1999.



## Environmental Services

The Environmental Services Department finances a variety of programs through two enterprise funds. The Refuse Disposal Fund, receiving the majority of its financing from disposal fees, provides for operation of the Miramar Landfill facility (including fee collection), post closure maintenance and regulatory compliance and other solid waste activities. The Recycling Fund provides for curbside greenery collection, recycling and household hazardous waste programs through recycling (AB 939) fees. The fee is authorized by State law which also limits its use to these programs. Waste generated by the Navy and community events are exempt from AB 939 fees. With the exception of franchised haulers, AB 939 fees are collected from customers at Miramar Landfill. Franchised hauler AB 939 fees are collected in conjunction with their quarterly franchise fee payments. The Fiscal Year 2001 budget for both funds essentially reflects adjustments to maintain current service levels.

The Environmental Services Department maintains the Refuse Disposal Landfill Closure Reserve Fund which, beginning this fiscal year, had a fund balance of \$18,897,333. This fund, required by state law, accumulates interest earnings and annual contributions from the Refuse Disposal Fund to insure that adequate monies are available to close Miramar Landfill at the end of its expected life and to finance any required Miramar Landfill post-closure activities.

## Equipment Division

Transportation Department's Equipment Division is responsible for the acquisition, maintenance and disposal of the City's 2,300 non-emergency vehicle fleet. Equipment Division has been able to maintain an overall fleet availability rate close to 95%. The cost of fuel has exceeded the budgeted amount in the current year due to higher than expected prices. As a consequence, we added \$400,000 for diesel fuel and \$213,975 for gasoline in Fiscal Year 2001 to bring budgetary amounts in-line with anticipated annual expenditures.

## Information Technology Division

The Information Technology (IT) Division of the Information Technology and Communications (IT&C) Department insures access to information and communication technologies by insuring the use of proper project management methodology on system projects and effectively managing the City's operating agreement with the San Diego Data Processing Corporation. IT provides public access to City government through such services as the City Access Cable TV Channel, the City of San Diego Home Page Web Site ([www.ci.san-diego.ca.us](http://www.ci.san-diego.ca.us)), and the Just Call San Diego system, which provides telephonic information on a 24-hour basis, and other e-Government programs.

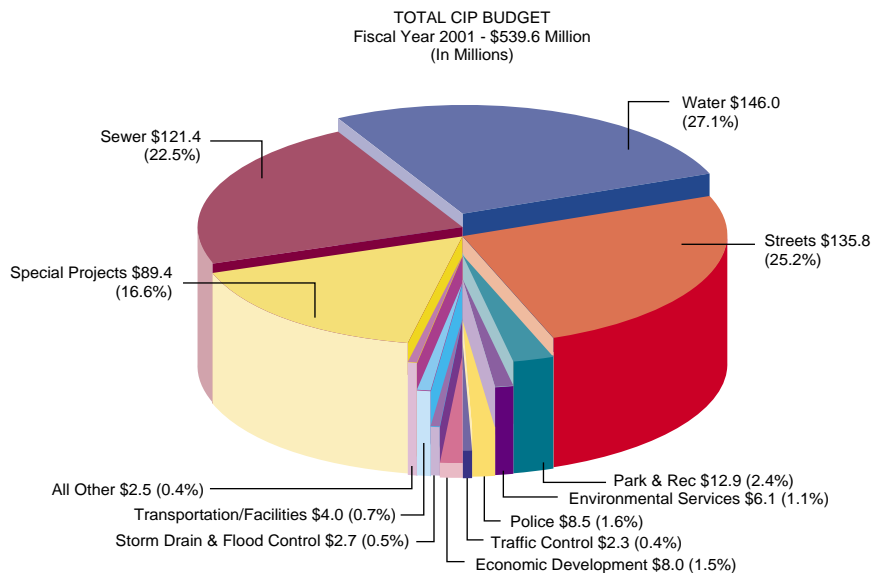
The Fiscal Year 2001 Information Technology budget reflects the addition of one position to the Support Services Activity to provide clerical support for the Deputy City Manager/Chief Information Officer. A primary IT activity in Fiscal Year 2001 will be strategic planning to establish a strategy and governance process for cost-effective use of technology to meet the City's service objectives. The e-Government Program is a second major emphasis and will focus specifically on enabling electronic delivery of information and services within the City, and to its citizens, business partners and other agencies.

# City Manager's Budget Message

## Capital Improvements Program

The Fiscal Year 2001 Capital Improvements Program (CIP) Budget totals \$539.6 million.

The City takes a phased approach to CIP budgeting whereby monies are appropriated in the fiscal year in which the various stages of a project are scheduled, rather than appropriating all project costs in a single fiscal year. This has allowed the City to better match revenue flows with actual expenditure plans. Highlights of the Fiscal Year 2001 Capital Improvements Program are as follows:



### Fire

- \$200,000 in land acquisition for Fire Station #46 in the North City Future Urbanizing Area.

### Park and Recreation

- \$614,000 in annual allocation for grant matching funds funded through the Healthy Kids Park and Open Space Fund from tobacco settlement funds.

### Police

- \$3,500,000 for design and construction for Northwest Area station.

## Sewer

- \$121.4 million to continue the \$2.5 billion upgrade of the City's metropolitan and municipal wastewater system. This includes the South Bay Water Reclamation Plant, the Point Loma - Digester Facility Upgrade and Expansion, Phase I of the South Bay Pump Station and Conveyance System, the South Bay Reclamation Sewer and Pump Station and the continued replacement of concrete sewer mains and upgrades to the sewer infrastructure.

## Special Projects

- Construction of the Ballpark and Redevelopment Project is scheduled to begin in Fiscal Year 2001 and be completed in Fiscal Year 2002 (funding for Fiscal Year 2001 amounts to \$84.4 million).
- Construction of the Central Animal Shelter began in Fiscal Year 2000 to be completed in Fiscal Year 2002 (total funding amounts to \$9.0 million with a contribution of \$840,000 from the San Diego Humane Society).

## Transportation

- \$13 million for resurfacing and slurry sealing to complete the two-year program to enhance City streets.
- \$1.2 million for underground utilities in City streets.
- \$5.4 million for Carmel Mountain Road and Interstate 5 interchange improvements.
- \$2.1 million for Carmel Valley Road - 300 feet East of Portofino improvements.
- \$1.9 million for La Jolla Shores Drive, Torrey Pines Road and Ardath Road intersection.
- \$1 million for Miramar Road and Interstate 805 Easterly Ramps.
- \$2.6 million for Navajo Road Median improvements.
- \$4.8 million for North Torrey Pines Road Bridge over Los Penasquitos Creek.
- \$3.7 million for Sorrento Valley Road from Industrial Court to Carmel Valley Road.
- \$63.3 million for State Route 56 from Carmel Valley to Black Mountain Road.

# City Manager's Budget Message

## Water

- The Fiscal Year 2001 CIP Water Department budget amounts to \$146.0 million. Future projects include water treatment plants and cast iron water main replacements. These improvements will allow the Water Department to continue to supply San Diegans with a reliable source of safe, clean water, meeting the requirements of the 1996 Safe Drinking Water Act.

## Conclusion

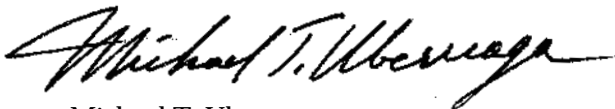
The Performance Management Program, which was inspired by Change<sup>2</sup>, a group of high level executives commissioned by Mayor Golding in the early 1990's to review San Diego operations, has resulted in significant measureable improvements in the services provided to San Diegans.

"Measureable" is a significant factor in how San Diego is managed. Considerable effort has been dedicated to developing the tools to measure our performance and training our staff to determine what and how to measure. As a result, we are able to provide performance measures for all of our activities, compare our performance to previous years and compare our performance to other jurisdictions.

Statistically significant data from independent polling indicates that 96% of San Diegans are satisfied overall with the services they receive from the City. What makes this high level of satisfaction all the more gratifying is the current level of expenditure for these services. By benchmarking our per capita expenditures against other cities, we know San Diego has one of the lowest levels of expenditures per capita in large cities nationally.

High levels of satisfaction and low levels of expenditures place San Diego among the elite cities in the United States, and provides an ongoing goal that we can all strive to maintain and upon which we can improve. San Diego's Performance Management Program gives us the management tools to continue to improve our delivery of core municipal services.

Respectfully submitted,



Michael T. Uberuaga  
City Manager